



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN NO. 2012 (1924)

November 29, 1989

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: State Directors

ATTENTION: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME

This Administrative Notice (AN) is intended to provide guidance on the development of realistic long range planning with reference to projected agricultural commodity prices and input costs. These prices and costs will be utilized for the determination of farm budget feasibility when evaluating for loan deferral. This information will also be needed when implementing conservation practices to bring the farm in compliance with the provisions found in Exhibit M of FmHA Instruction 1940-G. In order to provide a sound basis for long term projects and requests for assistance, a realistic long range farm plan is necessary.

COMPARISON WITH PREVIOUS AN

This AN replaces AN 1857 (1924), dated January 27, 1989. The updates in this AN provide necessary information for development of farm budgets for the 1990-96 crop years.

IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1924-B, Section 1924.57(d)(1), states that the projections used in developing planned farm budgets with reference to income and input costs must be supported by the borrower's actual historical records.

FmHA Instruction 1924-B, Section 1924.57(d)(2), states that each State Director will establish the average unit price for each agricultural commodity produced on a statewide basis. State Directors also may elect to establish regional unit prices for different regions of the state when there are factors (transportation costs) to establish a regional pattern. Exhibit B of this AN provides a national average for major agricultural commodities which states may use as a guideline to compare their developed commodity prices. These national averages are in no way issued to replace state developed prices.

EXPIRATION DATE: October 31, 1990

Filing Instruction:  
Preceding FmHA  
Instruction 1924-B



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State Directors, when developing unit prices, can utilize available data from State Departments of Agriculture, State Offices of the USDA National Agricultural Statistics Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used.

Exhibit A of this AN provides a table of USDA projections for the percentage change of prices for various major commodities, as well as related farm expenses. For those unique locally grown products such as aquacultural products, guava or rabbits, local buyers, processors, Agricultural Extension Service or similar sources should be contacted to obtain the best estimates available for these items.

Those farmers with proven documented records to compute a weighted average price received for those products sold in 1989 and/or contracts with verified markets, will be able to utilize that higher unit price in the projection calculations. Otherwise, the average price as determined by the State Director will be used in these calculations.

EXAMPLE: Wheat

Local avg. cash price	x	year % change	=	price adjustment
\$4.00 /bu. (1989)	x	-25% (1993)	=	-\$1.00
Price adjustment	+	1989 avg. cash price	=	1993 projected price
-\$1.00	+	\$4.00/bu.	=	\$3.00/bu.

If the State Director finds it necessary to change selected commodity projections in Exhibit A, a detailed justification will be sent to the National Office for approval. Any changes can be sent by Telemail to NO.PDS or by Facsimile to FTS 382-8098 or commercial (202)382-8098 addressed to Director, Farmer Programs, Program Development Staff (PDS).

  
NEAL SOX JOHNSON  
Acting Administrator

Attachments

Sent by telefacsimile on 11/30 at \_\_\_\_\_ by ASD. The State Director should advise other personnel as appropriate.

LONG RANGE FARM BUDGET PROJECTIONS  
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FmHA AN 2012(1924)  
Exhibit A

FmHA, FP, Program Development Staff  
November 1, 1989

CASH COMMODITY PRICES RECEIVED

-----< Projected % Change From 1989 >-----

COMMODITY	1990	1991	1992	1993	1994	1995	1996
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Wheat	-12.5	-17.5	-22.5	-25.0	-23.8	-22.5	-20.0
Corn	-5.6	-8.3	-8.3	-8.3	-5.6	0.0	5.6
Sorghum	-3.0	-9.1	-9.1	-9.1	-6.1	0.0	3.0
Barley	-2.4	-12.2	-17.1	-19.5	-19.5	-14.6	-12.2
Oats	-9.1	-15.2	-15.2	-15.2	-15.2	-9.1	-3.0
Soybeans	-6.4	-4.5	0.9	0.0	-3.6	-3.6	-3.6
Cotton	-9.2	-7.7	-6.2	-4.6	-4.6	-3.1	-3.1
Rice	-3.6	-12.9	-11.4	-10.0	-8.6	-7.1	-5.7
SB Oil	-6.0	-4.7	-0.9	0.0	-4.7	-9.3	-14.0
SB Meal	-6.3	-4.7	1.6	-1.6	-4.1	-1.6	1.6
Dried Beans	5.6	2.5	2.5	2.5	5.6	11.8	15.7
Peanuts	2.3	2.9	4.8	6.7	8.5	10.4	12.1
Cattle	2.2	3.1	6.8	5.4	2.1	4.1	-2.3
Calves	2.2	3.1	6.8	5.4	2.1	4.0	-2.3
Hogs	-1.7	-11.5	-1.7	5.7	-1.7	16.7	5.7
Broilers	-20.3	-31.4	-25.0	-21.9	-26.6	-21.9	-20.3
Turkeys	4.3	-5.8	0.9	9.4	4.3	7.7	12.7
Eggs	-14.4	-13.1	-11.8	-11.8	-8.4	-7.1	-5.1
Milk	-8.5	-13.4	-12.6	-10.1	-10.9	-14.2	-11.7
Fruit	3.4	5.7	8.0	10.9	13.7	16.6	19.4
Vegetables	2.0	4.6	6.6	9.3	11.3	13.2	15.9
TOBACCO:							
Flue-cured	0.6	3.1	6.3	9.4	11.9	14.4	16.9
Burley	1.8	4.3	6.7	9.2	11.7	14.1	16.6
SUGAR:							
Raw, domestic	0.6	1.2	1.8	2.5	3.2	3.9	4.6
Sugarbeet	0.6	1.2	1.9	2.6	3.3	4.0	4.8
Sugarcane	0.5	1.2	1.9	2.6	3.4	4.2	5.0

PRODUCTION AND LIVING EXPENSES

Feed	-31.1	-37.6	-37.6	-36.3	-36.3	-33.7	-27.5
Feeder Livestock	0.0	0.0	1.5	1.5	0.0	0.0	-2.1
Seed	-3.1	-6.5	-8.6	-8.6	-6.5	-3.1	0.0
Fertilizer	0.0	3.5	8.6	12.7	15.9	21.1	26.2
Ag. Chemicals	1.5	3.6	7.0	10.2	12.6	15.4	18.5
Fuels	5.8	11.3	16.7	21.7	26.5	31.0	35.3
Farm & Motor Sup.	4.3	7.7	11.4	14.8	17.9	20.4	22.8
Autos & Trucks	3.5	7.1	10.4	13.9	17.1	19.8	22.3
Tractors	5.0	9.0	12.7	15.8	19.0	21.6	24.1
Other Machinery	4.5	9.1	12.5	16.0	19.2	21.6	23.9
Bldg. & Fencing	1.4	2.8	4.1	5.4	6.7	7.9	9.1
Farm Serv. & Rent	2.6	5.0	7.4	9.6	11.7	13.7	15.6
Interest	3.1	4.0	1.0	-1.1	-2.2	-4.4	-6.1
Taxes	2.0	4.0	5.9	7.7	9.4	11.1	12.7
Wages	6.0	11.8	16.9	21.8	26.4	30.5	34.4
Family Living (CPI)	4.3	8.4	12.1	15.7	19.0	22.2	25.1
Other Expenses	1.1	3.8	6.8	9.6	12.3	14.8	17.6

PROJECTED LONG RANGE FARM PRICES

FmHA AN2012(1924,  
Exhibit B

FmHA, FP, Program Development Staff  
November 1, 1989

-----< PROJECTED CASH COMMODITY PRICES RECEIVED >-----

COMMODITY	UNITS	1989	1990	1991	1992	1993	1994	1995	1996
Wheat	\$/bu	4.00	3.50	3.30	3.10	3.00	3.05	3.10	3.20
Corn	\$/bu	1.80	1.70	1.65	1.65	1.65	1.70	1.80	1.90
Sorghum	\$/bu	1.65	1.60	1.50	1.50	1.50	1.55	1.65	1.70
Barley	\$/bu	2.05	2.00	1.80	1.70	1.65	1.65	1.75	1.80
Oats	\$/bu	1.65	1.50	1.40	1.40	1.40	1.40	1.50	1.60
Soybeans	\$/bu	5.50	5.15	5.25	5.55	5.50	5.30	5.30	5.30
Cotton	\$/lb	0.65	0.59	0.60	0.61	0.62	0.62	0.63	0.63
Rice	\$/cwt	7.00	6.75	6.10	6.20	6.30	6.40	6.50	6.60
SB Oil	\$/lb	0.21	0.20	0.20	0.21	0.21	0.20	0.20	0.18
SB Meal	\$/ton	160.00	150.00	152.50	162.50	157.50	153.50	157.50	162.50
Dried Beans	\$/cwt	18.00	19.01	18.45	18.45	18.45	19.01	20.13	20.82
Peanuts	cnt/lb	28.11	28.77	28.93	29.47	29.99	30.50	31.02	31.52
Cattle	\$/cwt	69.12	70.64	71.24	73.85	72.86	70.57	71.92	67.54
Calves	\$/cwt	82.95	84.76	85.49	88.62	87.44	84.68	86.30	81.05
Hogs	\$/cwt	40.70	40.00	36.00	40.00	43.00	40.00	47.50	43.00
Broilers	cnt/lb	37.62	30.00	25.80	28.20	29.40	27.60	29.40	30.00
Turkeys	cnt/lb	42.20	44.02	39.76	42.60	46.15	44.02	45.44	47.57
Eggs	cnt/doz	64.70	55.36	56.23	57.09	57.09	59.25	60.12	61.42
Milk	\$/cwt	12.35	11.30	10.70	10.80	11.10	11.00	10.60	10.90
TOBACCO:									
Flue-cured	cnt/lb	160.00	161.00	165.00	170.00	175.00	179.00	183.00	187.00
Burley	cnt/lb	163.00	166.00	170.00	174.00	178.00	182.00	186.00	190.00
SUGAR:									
Raw, domestic	cnt/lb	21.80	21.92	22.06	22.20	22.35	22.50	22.65	22.80
Sugarbeet	\$/ton	36.32	36.53	36.77	37.01	37.27	37.53	37.79	38.05
Sugarcane	\$/ton	27.29	27.44	27.61	27.80	28.00	28.22	28.44	28.65